

Westlaw

NewsRoom

5/18/12 PROVJ (No Page)

Page 1

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May 18, 2012

BRIEF: 38 Studios misses payroll
Tatiana Pina
The Providence Journal, R.I.

May 18--PROVIDENCE, R.I. -- In another sign of financial trouble for 38 Studios, retired Red Sox Pitcher Curt Schilling's video company has not made payroll.

"We have been advised by the company that they did not meet payroll," said Christine Hunsinger, spokeswoman for Governor Chafee. "What it means in terms of expectations and employees would be something 38 Studios would have to determine."

On Thursday, 38 Studios tried and failed to pay the \$1.125 million it owes the state as part of the loan program that brought the company to Rhode Island. The company delivered a check to the Rhode Island Economic Development Corporation, but the company's account didn't have enough money to cover it.

Schilling's company relocated from Massachusetts after Rhode Island offered a \$75-million loan guarantee. 38 Studios reported to the state at the start of this year that the company employed 270 workers in Rhode Island. The report was required by the Rhode Island Economic Development Corporation for the company to draw an installment from the proceeds of a \$75-million bond sale.

Under terms of the deal, 38 Studios was eventually required to create 450 jobs in Rhode Island with an average annual wage of \$67,500 a year

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5/18/12 PROVJ (No Page)

Page 2

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---- INDEX REFERENCES ----

COMPANY: RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Business Management (1BU42); Compensation (1CO80); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); HR & Labor Management (1HR87); I.T. Payroll Management Services (1IT51); Minimum Wage (1MI39))

INDUSTRY: (Banking (1BA20); Financial Services (1FI37); I.T. (1IT96); I.T. Consulting & Services (1IT92); I.T. Consulting & Services Vertical Markets (1IT54); I.T. Services Lines of Business (1IT34); Loans (1LO12); Retail Banking Services (1RE38))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

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OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Christine Hunsinger; Curt Schilling)

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5/18/12 PROVJ (No Page)

END OF DOCUMENT

Westlaw

NewsRoom

5/18/12 PROVJ (No Page)

Page 1

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May 18, 2012

BRIEF: 38 Studios employees arriving for work Friday maintain silence
Kate Bramson
The Providence Journal, R.I.

May 18--PROVIDENCE, R.I. -- As they have every morning this week, Curt **Schilling's** video-game company employees are arriving for work, some with black 38 Studios bags slung over their shoulders, one in a Green Monster T-shirt, others in jeans and casual clothes.

None answered questions about the company missing payroll.

Asked what **Schilling** told them after the emergency meeting with the state's Economic Development Corporation Wednesday morning, employees either said nothing, "no comment" and "no, thank you." When asked if he would say anything about what **Schilling** is sharing with his employees, one replied, "There is no chance."

Late Thursday night, as they have each night this week, the lights shone bright in the company headquarters at One Empire Plaza, a six-story brick building that the company occupies. Although a cloth banner hung from the back side of the building months ago with the company's logo on it, no visible sign has identified the building as 38 Studios headquarters for some time.

More news on 38 Studios

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5/18/12 PROVJ (No Page)

Page 2

COMPANY: JOHOR CORP

INDUSTRY: (Apparel (1AP19); Apparel & Textiles (1AP20); Commercial Real Estate (1CO51); Consumer Products & Services (1CO62); Fashion Industry (1FA88); Men's Apparel (1ME50); Newspapers (1NE17); Publishing (1PU26); Real Estate (1RE57); Retail (1RE82); Traditional Media (1TR30))

REGION: (Americas (1AM92); North America (1NO39); U.S. New England Region (1NE37); USA (1US73))

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OTHER INDEXING: (CURT SCHILLING) (Schilling)

Word Count: 193

5/18/12 PROVJ (No Page)

END OF DOCUMENT

Westlaw

NewsRoom

5/18/12 PROVJ (No Page)

Page 1

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May 18, 2012

BRIEF: 'We're in deep,' Chafee says of R.I. involvement in 38 Studios' deal
 maria caporizzo
 The Providence Journal, R.I.

May 18--PROVIDENCE, R.I. -- Governor Chafee said Friday he is using "all my energies" and doing "everything possible" to make sure Curt Schilling's video-game company, 38 Studios, does not fail, while at the same time, protecting Rhode Island taxpayer dollars.

"We're in deep," Chafee said of Rhode Island's \$75-million loan guarantee for the company.

Chafee said that as recently as April 27, 38 Studios indicated that it would make its \$1.1- million May 1 pay- ment.

"When asked specifically, 'Are you going to make May 1st payment?' the indication was 'Yes,' " Chafee said at a news conference Friday at the State House.

The company did make the payment today, and the check cleared, the governor said.

Several times, Chafee emphasized the riskiness of the videogame business.

When asked whether he saw Rhode Island ever making a deal like this again, he said, "Never. . . Not under my watch."

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5/18/12 PROVJ (No Page)

Page 2

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---- INDEX REFERENCES ----

NEWS SUBJECT: (Campaigns & Elections (1CA25); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); U.S. Congressional Campaigns (1US07))

INDUSTRY: (Consumer Electronics (1CO61); Consumer Products & Services (1CO62); Consumer Video Products (1CO02); Electronics (1EL16); Newspapers (1NE17); PC, Video & Online Games (1PC44); Publishing (1PU26); Traditional Media (1TR30))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Chafee; Curt Schilling)

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5/18/12 PROVJ (No Page)
END OF DOCUMENT

Westlaw.

NewsRoom

5/18/12 PROVJ (No Page)

Page 1

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May 18, 2012

Blue Cross refuses 38 Studios offer to buy R.I. tax credits
Katherine Gregg
The Providence Journal, R.I.

May 18--PROVIDENCE, R.I. -- A broker offered Blue Cross & Blue Shield of Rhode Island an opportunity to buy tax credits from Curt Schilling's struggling 38 Studios video-game company, the non-profit health insurer said Friday. But Blue Cross said it turned the offer down.

In response to an inquiry, company spokeswoman Kim Reingold issued this statement:

"Blue Cross & Blue Shield of Rhode Island was offered the opportunity to purchase tax credits from 38 Studios this past week. After conducting the necessary due diligence, BCBSRI has decided not to pursue the purchase of these tax credits."

She did not immediately respond to inquiries about who approached the company, or why the offer was rejected, but said Blue Cross has purchased film and historic tax credits in the past from other companies.

"We are then able to utilize these tax credits to offset a portion of BCBSRI's state tax liability," she said. "By purchasing tax credits at a discounted rate, BCBSRI is able to reduce its administrative expenses, which ultimately benefits its members."

38 Studios has applied for film tax credits of about \$14 million over the last two years from the Rhode Island Film & Television Office, according to a recent report.

It remains unclear, however, whether 38 Studios was eligible, under terms of its \$75-million loan-guarantee agreement with the state Economic Development Corporation, to apply for the credits, or for a broker to offer them.

Eligibility for the tax credits would have been suspended when the company defaulted on a \$1.1-million guarantee payment to the state, on May 1.

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5/18/12 PROVJ (No Page)

Page 2

Beyond that, the agreement bars the company from taking any "actions to obtain or otherwise avail itself of any tax credit," until it certifies that it has spent all of its share of the 2010 bond proceeds, and secured specified levels of additional financing.

More news on 38 Studios

More news on R.I. municipal and state budgets

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---- INDEX REFERENCES ----

COMPANY: BLUE CROSS AND BLUE SHIELD OF FLORIDA INC; JOHOR CORP

NEWS SUBJECT: (Taxation (1TA10))

INDUSTRY: (Accounting, Consulting & Legal Services (1AC73); Financial Services (1FI37); Health Insurance (1HE18); Healthcare (1HE06); Healthcare Services (1HE13); Insurance (1IN97); Managed Care (1MA75))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Curt Schilling; Kim Reingold)

Word Count: 343

5/18/12 PROVJ (No Page)

END OF DOCUMENT

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NewsRoom

5/18/12 PROVJ (No Page)

Page 1

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May 18, 2012

38 Studios asks to quadruple amount of 2011 film-tax credits
Katherine Gregg
The Providence Journal, R.I.

May 18--PROVIDENCE, R.I. -- Former Red Sox pitcher Curt **Schilling's** video-game company has asked the state for permission to sell almost quadruple the amount of film-tax credits for 2011 it previously sought to sell as a means of raising fresh capital.

Now that it has paid the \$1.125 million it owed the state, **Schilling's** 38 Studios is out of default and once again eligible for the tax credits, if state economic-development officials certify that it has met all of the requirements for its \$75-million, state-backed loan guarantee, and that has not yet happened.

But state Tax Administrator David Sullivan told a press conference on Friday that 38 Studios had initially requested \$2.1 million in tax credits for 2011. But Friday the company submitted another application for an additional credit worth \$6.3 million, bringing the total request to about \$8.4 million.

Since the potential credits equal 25 percent of certified production costs, within Rhode Island, that would suggest the cost of producing "Kingdom of Amalur" was much higher at \$25.2 million.

There was some early confusion Friday whether the new \$6.3 million request was actually in addition to the original \$2.1 million request, which would suggest production costs shot up to \$33.6 million. Paul Dion, chief of the office of revenue analysis, said he believed this to be the case.

In a related development, Governor Chafee unveiled a proposed law moving the film tax credit office from its current home in the Council on the Arts, to the tax division. The proposal would also cap at \$5 million the tax credits that could go to any one feature length film or TV series, in a tax year.

The proposal also says: "A motion picture production company is prohibited from using state funds, state loans or state guaranteed loans to qualify for the motion picture tax credit." Current law includes video-games among the eligible productions.

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5/18/12 PROVJ (No Page)

Page 2

This post was updated at 11:21 p.m.

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---- INDEX REFERENCES ---

NEWS SUBJECT: (Local Taxing Authorities (1LO66); Taxation (1TA10))

INDUSTRY: (Accounting, Consulting & Legal Services (1AC73); Banking (1BA20); Entertainment (1EN08); Financial Services (1FI37); Loans (1LO12); Motion Pictures (1MO51); Retail Banking Services (1RE38))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Chafee; Curt Schilling; David Sullivan; Paul Dion)

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5/18/12 PROVJ (No Page)
END OF DOCUMENT

Westlaw

NewsRoom

5/17/12 PROVJ A

Page 1

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May 17, 2012

Section: Local

Situation still murky ; 38 studios Financial condition at issue

Kate Bramson; Katherine Gregg

PROVIDENCE -- Curt Schilling pleaded his case for financial help for his struggling videogame company, 38 Studios, during a two-hour emergency meeting Wednesday with Governor Chafee and the state's Economic Development Corporation.

Then Schilling, the former Red Sox pitcher, waited nearby while Chafee and the EDC's directors debated for another 90 minutes about the fate of the company that the EDC lured to Rhode Island with a controversial \$75-million loan guarantee in 2010.

Neither Schilling nor Chafee publicly discussed the actual financial condition of 38 Studios or what Schilling is asking of the state.

Both sessions were closed to the public.

After the EDC meeting, Chafee said the deliberations centered on whether it would be wise for the state to help the company at this juncture. 38 Studios has defaulted on its agreement with the state by missing a \$1.125-million payment that was due May 1.

"That's what all the board members debated for all those hours behind closed doors: How do we avoid throwing good money after bad?" Chafee told about 20 reporters who had waited in the hallways of the EDC. "And that's the crux of the question."

Chafee acknowledged that state officials don't have enough information about the company's overall performance to make an informed decision.

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5/17/12 PROVJ A

Page 2

EDC Executive Director Keith W. Stokes attended the board sessions, yet has been publicly silent.

Just before the EDC met in open session to announce that its board took no action, **Schilling** muscled past the phalanx of reporters who in rapid-fire asked for him to talk about his company's fiscal condition.

"My priority right now is to get back to my company," **Schilling** said more than once, as reporters crowded around him and followed him out the doors. "My priority right now is to get back to my team and to talk to my team."

Asked what he would tell them, he had no reply.

Schilling ducked into the back seat of a dark blue Mercedes waiting outside, saying, "I will be making a statement at some point in the near future."

The EDC will resume debate at its regularly scheduled board meeting on Monday evening, the governor said.

Before the governor addressed the public at the open portion of the meeting, EDC legal counsel David M. Gilden read a prepared statement saying the EDC received a "presentation" from 38 Studios and "engaged in extended discussion of the confidential financial information they received."

"The company still has the option to cure the existing default by paying the \$1.125 million guaranty fee that is now past due," Gilden read.

Gilden concluded by saying EDC board members have been instructed not to discuss the confidential information with anyone, "so we ask that you respect that direction."

According to the original deal between 38 Studios and the EDC, both entities agreed that International Business Machines Corporation would provide third-party monitoring over **Schilling's** company.

In an interview Wednesday, Gilden said IBM has met with state officials about the status of 38 Studios.

"We don't have any reports in writing from IBM," Gilden said. "They've just been presentations."

How much IBM has been paid for that contract, who's paying that bill and what the agreement entails and what information IBM has discovered about 38 Studios is unclear. The EDC has denied requests from The Journal since May 2011 for that agreement and more recent requests for reports from IBM.

Stokes sat with Gilden and Chafee during the reporters' questions, but he did not respond to any.

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5/17/12 PROVJ A

Page 3

Stokes has been under fire since he negotiated the deal for former Gov. Donald Carcieri in 2010.

In an interview Wednesday, Stokes named the 38 Studios executives who joined **Schilling** at the meeting: Chief Financial Officer Richard Wester, President and Chief Operating Officer Bill Thomas and Marketing Director Alex Bertie. CEO Jennifer MacLean did not attend. She's on maternity leave, he said.

Wednesday, Stokes found a defender in Senate President M. Teresa Paiva Weed. Asked if she has any second thoughts about the 38 Studios deal, Paiva Weed said she has "absolute confidence in the Economic Development Corporation Board, the governor and his staff and Director Stokes to resolve the issues that are outstanding."

During questioning by reporters, Chafee repeated that the company missed its payment and said, "And now they're asking for state participation, and we're weighing that."

Asked if that term means the company is asking the state to make the \$1.125-million payment for 38 Studios, Chafee replied, "We'll have more later."

Asked if **Schilling** was "asking for more than the \$75 million," Chafee replied, "Yes, that's fair to say."

Then asked how much further investment the company is seeking, and whether it's dollar amounts, film-tax credits or help with bridge financing, Chafee simply replied, "At the appropriate time, we'll have more details."

Although 38 Studios has sought film-tax credits of about \$14 million over the last two years from the Rhode Island Film & Television Office, state officials with knowledge of the status of those pending applications have been unavailable.

Steven Feinberg, executive director of the Film Office, has not returned multiple requests for interviews since last week, and he is now out of the country, attending the Cannes Film Festival in France to watch the debut of "Moonrise Kingdom," which was filmed in Rhode Island. Feinberg reports to the Rhode Island State Council on the Arts, whose executive director, Randall Rosenbaum, is on a state trade mission to Japan, according to his office.

Gilden could not say whether 38 Studios has received tax credits.

Reached Wednesday evening at his company, VIBCO, EDC board member Karl Wadensten reminded a Journal reporter about the request not to speak about the company's finances.

"I'm sworn by that," he said. "I have nothing to say until after Monday.... My integrity is my word, and I promised."

5/17/12 PROVJ A

Page 4

The deal with **Schilling** has been controversial since 2010.

At the State House Wednesday, state Rep. Laurence W. Ehrhardt, R- North Kingstown, introduced a bill to prohibit the EDC from giving more than \$10 million in loan guarantees to any one entity, which has been the policy since Chafee took the helm, but not yet law.

Ehrhardt said he was dissuaded from proposing that same cap two years ago during House debate on expanding the loan-guarantee program from \$50 million to a new total of \$125 million. Debate had already started, he said, when "I received a note from Keith Stokes saying that he urgently needed to see me in the hallway."

He went to see him.

"He pleaded with me not to submit the amendment," Ehrhardt said. "He basically said it would upset -- and he did not name 38 Studios because none of us or very few of us knew about 38 Studios at the time. His words were something to the effect that it would upset a transaction they were working on ..., and I said to him, as a gesture of good faith and trust, I will withdraw the amendment."

Asked how he feels in light of current developments, Ehrhardt said: "I feel that I was substantially betrayed."

Journal staff writer Randal Edgar contributed to this report.

"That's what all the board members debated for all those hours behind closed doors: How do we avoid throwing good money after bad?" Governor Chafee

Curt **Schilling** listens in the executive session of the Rhode Island Economic Development Corporation meeting at the EDC offices in Providence Wednesday. The Providence Journal / Mary Murphy

Curt **Schilling** leaves the Rhode Island Economic Development Corporation offices after his meeting with the board of directors in Providence Wednesday. The Providence Journal / Mary Murphy
kbramson@providencejournal.com (401) 277-7470 On Twitter @JournalKate

---- INDEX REFERENCES ----

COMPANY: 38 STUDIOS LLC; INTERNATIONAL BUSINESS MACHINES CORP; JOHOR CORP; VIBCO INC; EASEL; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP; INTERNATIONAL BUSINESS MACHINES CORP

NEWS SUBJECT: (Board of Directors (1BO47); Business Management (1BU42); Corporate Events (1CR05); Corporate Groups & Ownership (1XO09); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26))

5/17/12 PROVJ A

Page 5

INDUSTRY: (Entertainment (1EN08); Film Festivals (1FI62); Motion Pictures (1MO51))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

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COMPANY TERMS: IBM CORP

PRODUCT: Electronic Computers; Office Machines, NEC; Electronic Computer Manufacturing; Software Reproducing; Semiconductor and Related Device Manufacturing; Software Publishers; Other Computer Peripheral Equipment Manufacturing

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5/17/12 PROVJ A
END OF DOCUMENT

Westlaw

NewsRoom

5/17/12 PROVJ A

Page 1

5/17/12 Providence J.-Bull. (R.I.) A
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May 17, 2012

Section: Local

A. failure could leave taxpayers on the hook

Andy Smith

R.I. has moral obligation to pay bondholders if 38 Studios cannot

If 38 Studios, Curt Schilling's videogame company, does not make the payments on its bond obligations, Rhode Island taxpayers could be forced to come up with as much as \$102 million over the next eight years.

The sum includes the principal plus interest payments on the \$75 million in bonds issued in November 2010, by the state's Economic Development Corporation.

Under the legislation that authorized the EDC to issue the bonds, each year the executive director is required to notify the governor of any shortfall should 38 Studios not make its payments. The governor would then request an appropriation from the General Assembly.

The EDC issued \$75 million in bonds, which were sold to private investors in November 2011. Interest rates on the bonds ranged from 6 to 7.75 percent, depending on when they matured.

According to the most recent figures from the EDC, 38 Studios has received \$49.5 million from the bond proceeds.

Some of the remaining money, \$23.4 million, went into two reserve funds to cover the first three years of payments, if necessary.

(Other funds went toward the costs of issuing the bonds, such as payments to bond underwriters and attorneys.)

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5/17/12 PROVJ A

Page 2

One reserve fund, the capitalized interest account, contained \$10.6 million. The other, the capital reserve fund, has \$12.75 million, an amount equal to the maximum amount of principal and interest 38 Studios would have to pay in any one year.

Interest-only payments due in 2011 have been paid from the capitalized interest account. In 2011, that amount came to \$5.29 million. A similar amount for interest payments is scheduled to be paid in 2012.

The first payment from 38 Studios itself is due on May 1, 2013.

The company will then be responsible for making payments each Nov. 1 and May 1 until Nov. 1, 2020, totaling about \$12.75 million per year.

According to a fact sheet issued Wednesday by the EDC, if the capital reserve account is used for 38 Studios's 2013 payment, it would reduce the outstanding principal on the bonds from \$75 million to \$67,600,000.

After the \$75 million in bonds were sold in 2010, the total amount in principal and interest payments to pay off the bonds was \$112.6 million. Under the repayment plan, that total will be reduced by the \$10.6 million in the capitalized interest account through the end of 2012. The remaining \$102 million could be reduced further by the \$12.75 million in the capital reserve fund.

The EDC bonds issued for 38 Studios are revenue bonds, meaning they are supposed to be backed by the revenues from 38 Studios. The state has what is called a moral obligation to pay.

The General Assembly is not legally obligated to appropriate the money, but bond rating agencies that analyzed the 38 Studios bond issue said the state has historically honored its moral obligation bonds.

The General Assembly is not legally obligated to appropriate the money, but bond rating agencies that analyzed the 38 Studios bond issue said the state has historically honored its moral obligation bonds. as-mith@providencejournal.com (401) 277-7485

---- INDEX REFERENCES ----

COMPANY: JOHOR CORP

NEWS SUBJECT: (Bond Issues (1BO94); Funding Instruments (1FU41); Municipal Bonds (1MU39); Municipal General Obligation Bonds (1MU91))

INDUSTRY: (Banking (1BA20); Bonds (1BO97); Financial Services (1FI37); Fixed Income Investments (1FI12); Investment Management (1IN34); Loans (1LO12); Retail Banking Services (1RE38); Securities Investment (1SE57))

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5/17/12 PROVJ A

Page 3

OTHER INDEXING: (Curt Schilling)

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5/17/12 PROVJ A
END OF DOCUMENT

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Westlaw

NewsRoom

5/17/12 PROVJ A

Page 1

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May 17, 2012

Section: Local

Governor not shy about shuffling the deck at EDC ; 38 studios

Andy Smith

Four new appointments have been made since \$75 million loan was approved in 2010

The board of directors of the Rhode Island Economic Development Corporation, which met Wednesday to consider the state's financial agreement with 38 Studios, Curt Schilling's videogame company, is not the same body that approved the plan in 2010.

Since then, Governor Chafee, an outspoken opponent of the plan that lured 38 Studios from Massachusetts to Rhode Island with a \$75 million loan guarantee, has replaced former Governor Carcieri, who strongly supported the idea, as the board's chairman.

Chafee also appointed four new members of the 13-person board. They are Helena B. Foulkes, executive vice-president at CVS Caremark Corp; Jack K. Templin, who leads ThoughtCap, which specializes in online business strategy, and is a partner in business startup organization Betaspring; Providence developer Stanley Weiss; and Jerauld C. Adams, an environmental engineer who owns industrial mill buildings and whose space he rents out to companies and art studios.

The current members of the EDC board who voted in favor of the 38 Studios plan in 2010 are Daniel Sullivan, president and CEO of Collette Vacations, Inc.; J.L. "Lynn" Singleton, president of the Providence Performing Arts Center; George Nee, president of the AFL-CIO of Rhode Island; and Stephen Lane, president of Ximedica, Inc.

Karl Wadensten, president of VIBCO, was the lone dissenting vote on the 38 Studios loan guarantee.

Cheryl Watkins Snead, president and CEO of Banneker Industries; Dr. Timothy J. Babineau, president and CEO

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5/17/12 PROVJ A

Page 2

of Rhode Island Hospital and Miriam Hospital; and David Dooley, president of the University of Rhode Island, were absent for the 2010 vote. Snead, Templin and Singleton were absent when the EDC board met to discuss 38 Studios Wednesday. Former board members, all of whom voted in favor of the 38 Studios plan, are Alfred J. Verrecchia, chairman of the board of Hasbro, Inc.; Shivan Subramaniam, chairman and CEO of FM Global; Paul J. Choquette Jr., vice-chairman of Gilbane Inc.; and Donna C. Cupelo, regional president, New England Verizon Communications. asmith@providencejournal.com (401) 277-7485

--- INDEX REFERENCES ---

COMPANY: 38 STUDIOS LLC; CVS CAREMARK CORP; XIMEDICA LLC; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Board of Directors (1BO47); Business Management (1BU42); Corporate Events (1CR05); Corporate Groups & Ownership (1XO09); Executive Personnel Changes (1EX23); HR & Labor Management (1HR87))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

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OTHER INDEXING: (BANNEKER INDUSTRIES; COLLETTE VACATIONS INC; RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Carcieri; Chafee; Cheryl Watkins Snead; Curt Schilling; Daniel Sullivan; David Dooley; George Nee; Helena Foulkes; J.L. Singleton; Jack Templin; Jerauld Adams; Karl Wadensten; Stanley Weiss; Stephen Lane; Timothy Babineau)

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5/17/12 PROVJ A
END OF DOCUMENT

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NewsRoom

5/17/12 PROVJ (No Page)

Page 1

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May 17, 2012

BRIEF: Former RI EDC director Stokes says resignation 'was something we had to do'
Kate Bramson
The Providence Journal, R.I.

May 17--PROVIDENCE, R.I. -- Keith Stokes met with the staff of the state's Economic Development Corporation and was then at home with his family in Newport by 10 a.m., he told The Providence Journal after offering his resignation.

Stokes said he and Governor Chafee spoke Wednesday night about whether Stokes would remain at the helm of the agency that crafted the deal that lured Curt Schilling's videogame company, 38 Studios, to Providence.

"Obviously, 38 has been very difficult, and he said very clearly this is something you and I should decide," Stokes said.

Stokes said the question was: Do they move forward together with Stokes continuing to lead the agency or does Stokes step down?

"We both came to the conclusion it was something we had to do," Stokes said of his resignation.

Stokes said he's not involved with any conversation about who will now lead the agency that's charged with creating jobs in this state.

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5/17/12 PROVJ (No Page)

Page 2

---- INDEX REFERENCES ----

COMPANY: JOHOR CORP

NEWS SUBJECT: (Business Management (1BU42); Civil Rights Law (1CI34); Corporate Events (1CR05); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Executive Personnel Changes (1EX23); HR & Labor Management (1HR87); Legal (1LE33))

INDUSTRY: (Newspapers (1NE17); Publishing (1PU26); Traditional Media (1TR30))

REGION: (Americas (1AM92); North America (1NO39); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Chafee; Curt Schilling; Keith Stokes)

Word Count: 180

5/17/12 PROVJ (No Page)

END OF DOCUMENT

Westlaw

NewsRoom

5/17/12 PROVJ (No Page)

Page 1

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May 17, 2012

Head of RI Economic Development Corp. resigns amid 38 Studios controversy
Katherine Gregg
The Providence Journal, R.I.

May 17--PROVIDENCE, R.I. -- -- Keith Stokes has resigned as head of the state's Economic Development Corporation, amid controversy over a \$75-million loan guarantee the EDC gave retired Red Sox pitcher Curt Schilling's video-game company that is now in default on payments owed the state.

Governor Chafee's office confirmed the resignation Thursday morning.

The resignation comes after months of frustration that started building up well before Chafee felt compelled to call an emergency meeting of the EDC board on Wednesday, to try to get a handle on why Schilling's 38 Studios defaulted on a \$1.1 million payment and what should happen next.

It was not immediately clear if Chafee asked for his resignation.

Former Governor Donald L. Carcieri appointed Stokes in January 2010, and Chafee reappointed him after taking office in January 2011.

Stokes was a well-known figure when he took over at the EDC, having served on the organization's board for 15 years. At the time, he was also head of the Newport County Chamber of Commerce, a post he had held since 1994. Earlier in his career, Stokes also served as a senior policy adviser to former Governor Bruce Sundlun and as a member of the Newport City Council.

As recently as Wednesday, Senate President M. Teresa Paiva Weed, D-Newport, said she had "absolute confidence in Keith Stokes" and in "the Economic Development Corporation."

She and Stokes both attended Rogers High School, in Newport. She graduated in 1977 and he graduated in 1976, she said.

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5/17/12 PROVJ (No Page)

Page 2

Asked if she has any second thoughts about the 38 Studios deal, Paiva Weed said she has "absolute confidence in the Economic Development Corporation Board, the governor and his staff and Director Stokes to resolve the issues that are outstanding."

-- With reports from Journal staff writer Kate Bramson

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---- INDEX REFERENCES ----

COMPANY: JOHOR CORP

NEWS SUBJECT: (Board of Directors (1BO47); Business Management (1BU42); Corporate Events (1CR05); Corporate Groups & Ownership (1XO09); Economic Development (1EC65); Economics & Trade (1EC26); Executive Personnel Changes (1EX23); HR & Labor Management (1HR87))

REGION: (Americas (1AM92); North America (1NO39); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Bruce Sundlun; Chafee; Curt Schilling; Donald Carcieri; Kate Bramson; Keith Stokes; M. Teresa Paiva)

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5/17/12 PROVJ (No Page)

END OF DOCUMENT

Westlaw

NewsRoom

5/16/12 PROVJ A

Page 1

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May 16, 2012

Section: Local

Meeting called over **Schilling** deal ; 38 studios

Kate Bramson; Paul grimaldi; Katherine Gregg

PROVIDENCE -- Governor Chafee has called the Rhode Island Economic Development Corporation to an emergency meeting Wednesday morning to discuss financial problems at Curt **Schilling's** videogame company and to consider whether to restructure the deal between 38 Studios and the state.

But Chafee said Tuesday evening that he needs more financial information from the company and a better understanding of how the EDC has monitored the state's controversial \$75-million loan guarantee to 38 Studios. He said he needs assurances that the company will survive before the state negotiates anything more.

Six days after Chafee first acknowledged he had been meeting with 38 Studios executives, working to keep the company "solvent," few details have emerged.

But Tuesday afternoon, House Speaker Gordon D. Fox said alarms went off about the financial health of 38 Studios "when a loan- guarantee payment of about \$1.125 million was not made, which put the company into some default."

Loan documents describe an annual fee the company must pay to the EDC each May 1 that equals 1.5 percent of the outstanding loan.

A separate, interest-only payment to bondholders, due May 1, has been made out of a reserve fund, EDC Executive Director Keith W. Stokes said. But Stokes and other officials have not responded to questions since last week about whether the company is in compliance with other loan requirements.

According to the deal with the state, the money given to 38 Studios was intended to help the company move from Massachusetts to Rhode Island, with the hope of creating a cluster of videogame companies in the state.

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The company is required to pay back principal and interest on those bonds, beginning next year.

If the company's payments fall short, the state's taxpayers would have to cover the payments. The EDC, through the governor, must ask the General Assembly for money to cover any missed payments.

Fox said he and Stokes talked Tuesday morning and Stokes said 38 Studios was seeking a special meeting of the EDC, which is chaired by Chafee. Fox said it is not entirely clear what the company is seeking, but at the very least, it appears it wants EDC consent to bring in "some bridge financing from some other entities."

Yet Chafee told The Providence Journal Tuesday evening that he called the meeting not because the company asked for it but because the EDC board members have made "consistent calls" for such a meeting.

Chafee said the key issue on whether the state should help the company obtain bridge financing must be made "within the context of ultimate success."

"And that's what I think ... the board needs to know: What are our chances of ultimate success?" Chafee said. "I think we would all be willing to do bridge financing if we knew we had a high chance of success. That's something we really have to get the correct information on. I think everybody would agree that it would be difficult, but I would argue no taxpayer dollar should be involved until we get some level of confidence."

Fox said the company is not asking the legislature for money, but "there was some talk of tax credits being part of the bridge financing."

38 Studios has applied to the Rhode Island Film & Television Office for \$14 million in film-tax credits over two years, according to documents that office released during the state's Revenue and Caseload Estimating Conference on May 3 and 4. The film office is authorized to grant \$15 million a year in film-tax credits.

The company initially sought \$2.3 million in film-tax credits in 2011, in connection with estimated production costs of \$9.2 million for the videogame "Kingdoms of Amalur: Copernicus 2011." The document shows those credits are "not yet approved."

This year, the company has submitted two separate applications for film-tax credits. One worth \$5 million was requested for a project connected to the company's videogame, "Kingdoms of Amalur: Copernicus 2012," which would have an estimated \$20 million in production costs. The other credit would be worth \$7 million for videogame production that would cost an estimated \$28 million. The Film Office has listed that it's "waiting for final application" on each of those requests.

The EDC board will meet at 8:30 a.m. Wednesday at the agency's offices, 315 Iron Horse Way, Suite 101, in Providence. During the meeting's public session, the EDC will "address and consider an unexpected occurrence that requires immediate action to protect the public regarding the 38 Studios, LLC financing." An executive,

closed-door session has also been posted, to consider and act upon the "investment of public funds where the premature disclosure would adversely affect the public interest."

Chafee said he and attorneys would decide by Wednesday morning how much discussion would be in open session and how much would be in executive session.

As the state weighs giving the company additional financial incentives, Chafee said he would oppose having the state give up its "first-lien position," a term that gives the lender, the EDC, the first claim on all company assets in the case of a default on the bonds.

Chafee said he hopes the board does not cast a vote on Wednesday, though.

"I think they should digest information," he said. "We got ourselves into trouble with some poor decisions made already, and we want to make sure we make some good decisions going forward. We've got to protect the taxpayers."

Chafee said those poor decisions go back to the time when the deal was struck. A candidate for governor at the time, Chafee opposed the deal.

Asked whether he had any concerns about the company's survival, Fox said: "My sense right now, from what I have been told, is if they work out what seems to be, in terms of high finance, minor issues, that they will survive."

He said the response to the company's first foray into the game market has been good, and "he seems to have a lot of people around him who know what they are doing."

Fox also told reporters he has no regrets about backing the creation of the loan-guarantee program.

While public officials in Providence debated the fate of 38 Studios, there was no change in previous ratings on the state's bonds.

On April 20, the Standard & Poor's ratings agency affirmed its "A" rating for the state-issued bonds underpinning the loan guarantee for 38 Studios. The rating was part of a summary Standard & Poor's issued on numerous Rhode Island state bond issues.

Separately, Michael Pachter, a videogame industry analyst with Wedbush Morgan, told The Journal, "The stuff I'm hearing doesn't seem logical to me," though he emphasized he has no first-hand knowledge about 38 Studios.

Chafee said Fox had suggested that 38 Studios executives attend the EDC meeting. He said he didn't know ex-

actly who would attend, but he assumed Schilling, the former Boston Red Sox pitcher who owns the company, would be there.

Although more than half of the EDC board members have declined comment in recent days, member Karl Wadensten, who voted against the original deal, said he's looking forward to hearing facts about the situation.

"And I'd hope that whoever the people are at 38 -- the president, which is Curt [Schilling], and the CFO and the COO -- that they're all present to give everybody fact-based information, and if they're not there, I would be shocked and miffed," Wadensten said.

Also on Tuesday, House Republican Leader Brian Newberry said he cast one of the few votes against the expansion of the loan- guarantee program even before it was known that \$75 million of the \$125 million would go to a single company because "I do not like a government -- whether it is through tax credits, loan guarantees -- picking and choosing winners and losers in the private sector economy.

"In this particular instance [EDC] took the entire \$75-million expansion that the House had approved and gave it to one company, which was even worse." Gary Sasse, director of Bryant University's Institute for Public Leadership, said, "This is what happens when state government tries to implement industrial policy by picking winners and losers. Let us hope that we do not dig the hole any deeper."

Governor Chafee, meeting with reporters Tuesday, says he needs assurances that 38 Studios will survive before the state negotiates anything more. The Providence Journal / Connie Grosch kbramson@providencejournal.com (401) 277-7470 On Twitter @JournalKate pgrimald@providencejournal.com (401) 277-7356 kgregg@providencejournal.com (401) 277-7078

---- INDEX REFERENCES ----

COMPANY: 38 STUDIOS LLC; STANDARD AND POORS FINANCIAL SERVICES LLC; WEDBUSH SECURITIES INC; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Taxation (1TA10))

INDUSTRY: (Accounting, Consulting & Legal Services (1AC73); Banking (1BA20); Consumer Finance (1CO55); Entertainment (1EN08); Financial Services (1FI37); Loans (1LO12); Motion Pictures (1MO51); Retail Banking Services (1RE38))

REGION: (Americas (1AM92); Massachusetts (1MA15); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Brian Newberry; Chafee; Curt Schilling; Gary Sasse; Gordon Fox; Karl Wadensten; Keith Stokes; Michael Pachter)

5/16/12 PROVJ A

Page 5

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5/16/12 PROVJ A

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NewsRoom

5/16/12 PROVJ (No Page)

Page 1

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May 16, 2012

38 Studios seeking RI film-tax credits to help finances
Kate Bramson
The Providence Journal, R.I.

May 16--PROVIDENCE, R.I. -- As Governor Chafee and the Rhode Island Economic Development Corporation board prepare for an emergency meeting Wednesday morning with Curt **Schilling's** videogame company, 38 Studios, the company continues to decline comment on its financial condition.

Although the company has sought film-tax credits of about \$14 million over the last two years from the Rhode Island Film & Television Office, state officials with knowledge of the status of three pending applications have not responded to requests for comment.

Steven Feinberg, executive director of the Film Office, did not return multiple requests for interviews last week, and he is now out of the country, attending the Cannes Film Festival in France to watch "Moonrise Kingdom" debut. Feinberg reports to the Rhode Island State Council on the Arts, whose executive director, Randall Rosenbaum, is on a state trade mission to Japan, according to his office.

Yet one thing is clear. Company executives told the City of Providence economic development director, James S. Bennett, that the sought-after film-tax credits would provide some degree of needed finances.

"I believe that they qualify for them," Bennett told The Providence Journal. "It provides some liquidity."

Bennett said he believes the company was seeking additional tax credits from the state of Rhode Island, but he was uncertain about the details. Asked if company executives who contacted him last week seeking help from the city said why they needed liquidity, Bennett replied, "They did not."

More news on 38 studios

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5/16/12 PROVJ (No Page)

Page 2

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--- INDEX REFERENCES ---

COMPANY: 38 STUDIOS LLC; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Taxation (1TA10))

INDUSTRY: (Accounting, Consulting & Legal Services (1AC73); Entertainment (1EN08); Film Festivals (1FI62); Motion Pictures (1MO51))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; James Bennett; Randall Rosenbaum; Steven Feinberg)

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5/16/12 PROVJ (No Page)
END OF DOCUMENT

Westlaw

NewsRoom

5/16/12 PROVJ (No Page)

Page 1

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May 16, 2012

BRIEF: Chafee says EDC to consider changing deal with 38 Studios
Kate Bramson
The Providence Journal, R.I.

May 16--PROVIDENCE -- Governor Chafee has called the Rhode Island Economic Development Corporation to an emergency meeting Wednesday morning to discuss financial problems at Curt Schilling's videogame company and to consider whether to restructure the deal between 38 Studios and the state.

But Chafee said Tuesday evening that he needs more financial information from the company and a better understanding of how the EDC has monitored the state's controversial \$75-million loan guarantee to 38 Studios. He said he needs assurances that the company will survive before the state negotiates anything more.

Six days after Chafee first acknowledged he had been meeting with 38 Studios executives, working to keep the company "solvent," few details have emerged.

But Tuesday afternoon, House Speaker Gordon D. Fox said that alarms went off about the financial health of 38 Studios "when a loan-guarantee payment of about \$1.125 million was not made, which put the company into some default."

Loan documents describe an annual fee the company must pay to the EDC each May 1 that equals 1.5 percent of the outstanding loan.

More news on 38 studios

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5/16/12 PROVJ (No Page)

Page 2

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---- INDEX REFERENCES ----

COMPANY: RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Microcredit (1MI25))

INDUSTRY: (Banking (1BA20); Consumer Finance (1CO55); Financial Services (1FI37); Loans (1LO12); Retail Banking Services (1RE38))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; Gordon Fox)

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5/16/12 PROVJ (No Page)

END OF DOCUMENT

Westlaw

NewsRoom

5/16/12 PROVJ (No Page)

Page 1

5/16/12 Providence J.-Bull. (R.I.) (Pg. Unavail. Online)
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May 16, 2012

Curt Schilling: 'My priority right now is to get back to my company'
Kate Bramson
The Providence Journal, R.I.

May 16--PROVIDENCE, R.I. -- Curt Schilling muscled past about 20 members of the media Wednesday afternoon after meeting for two hours with the Rhode Island Economic Development Corporation board, then sitting in a conference room with 38 Studios executives for another hour, waiting "on standby" in case the board had further questions about his company's financial struggles.

"My priority right now is to get back to my company," Schilling said more than once, as the media crowded around him and followed him out the doors of the Economic Development Corporation headquarters around 12:30 p.m. "My priority right now is to get back to my team and to talk to my team."

He wouldn't answer what he planned to tell his team. Nor did he answer any questions that reporters threw out in rapid-fire succession.

Just before Schilling ducked into a dark blue Mercedes station wagon with a Maryland license plate, he said, "I will be making a statement at some point in the near future."

Then his car drove off.

Moments later, the EDC board met in open session back inside the building and Governor Chafee asked EDC legal counsel David Gilden to read a statement about what transpired during their closed session.

"The Board did not take any vote," Gilden said. "The company still has the option to cure the existing default by paying the \$1,125,000 guaranty fee that is past due."

"In the meantime, we will continue to talk with 38 Studios and develop additional information, and will resume the Board meeting at our regularly scheduled meeting on May 21. The members of the Board may not discuss the confidential information received and discussed today."

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5/16/12 PROVJ (No Page)

Page 2

More news on 38 Studios

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---- INDEX REFERENCES ----

COMPANY: JOHOR CORP; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Board of Directors (1BO47); Business Management (1BU42); Corporate Events (1CR05); Corporate Governance (1XO27); Corporate Groups & Ownership (1XO09); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Executive Personnel Changes (1EX23); HR & Labor Management (1HR87))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; David Gilden)

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5/16/12 PROVJ (No Page)
END OF DOCUMENT

Westlaw

NewsRoom

5/15/12 PROVJ A

Page 1

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May 15, 2012

Section: Local

38 Studios, Chafee meet on loan plan ; providence

Kate Bramson

Governor says he wants to make sure Curt Schilling's videogame company is solvent as it makes payments

PROVIDENCE -- Governor Chafee has met with 38 Studios executives and officials from the state Economic Development Corporation in recent days, and said they are working at "protecting the taxpayer dollars."

Chafee said he's checking "in on all the financials" with regard to former Red Sox pitcher Curt Schilling's videogame company, which was lured to Rhode Island in April 2011 from Massachusetts with a controversial \$75-million loan guarantee from the Rhode Island Economic Development Corporation.

The governor has not discussed details of the meetings with 38 Studios executives in multiple interviews with The Journal since last Thursday, but on Monday afternoon at the State House, he said what's at stake is "keeping 38 Studios solvent."

According to the deal with the state, the EDC issued \$75-million in bonds to help 38 Studios move to Rhode Island, with the idea of creating a cluster of video-game companies in the state. The company is required to pay back principal and interest on those bonds.

If the company's payments fall short, the state's taxpayers would have to cover the payments. The EDC, through the governor, must ask the General Assembly for money to cover any missed payments.

State Senate President M. Teresa Paiva Weed and House Speaker Gordon Fox have declined comment.

The EDC approved the loan guarantee during former Gov. Donald Carcieri's tenure, a decision that drew strong criticism from Chafee as he was seeking office in 2010. He has since said that it's important to work with the

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5/15/12 PROVJ A

Page 2

company and make sure it succeeds.

Reached on Sunday, the governor said "it has been a weekend of work on this subject."

Also, he said, there is a "tight time frame we're working under."

"We're doing everything possible, like I would for any Rhode Island company," he said on Monday.

At 38 Studios on Monday morning, the company was open for business and employees were reporting for work at One Empire Plaza. The company has not returned a request for comment.

Company executives turned to the City of Providence either Thursday or Friday seeking some assistance, said James S. Bennett, the city's economic development director -- "letting us know, obviously, there are 200 jobs in the city, and [seeking] any help."

But the city has no role in monitoring the company or its financial status, Bennett said. He called EDC Executive Director Keith W. Stokes, who Bennett said was already working on the matter.

By last November, 38 Studios had received its final payment due under the loan guarantee, which brought the total cash amount from Rhode Island to Schilling's company to \$47.4 million.

Although the loan guarantee required the EDC to issue bonds worth \$75 million, the company did not receive that total dollar amount because more than \$20 million of the bond proceeds were put into reserve funds to pay the first two years of interest. Some of the money also covered the costs of issuing the bonds.

Interest-only payments due last year and this year have been paid out of one of those reserve funds, EDC officials have said at each deadline. On Friday, Stokes said the May 1 payment has been made. He declined further comment about the company.

38 Studios is required to begin making payments on the bonds on May 1, 2013, and then each Nov. 1 and May 1 after that until Nov. 1, 2020. The company will owe principal and interest payments totaling \$12.75 million in 2013.

In all, including the payments made out of the reserve fund, it will cost a total of \$112.6 million to repay the bonds. kbramson@providencejournal.com (401) 277-7470 On Twitter @JournalKate

--- INDEX REFERENCES ---

COMPANY: JOHOR CORP; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

5/15/12 PROVJ A

Page 3

NEWS SUBJECT: (Bond Issues (1BO94); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Funding Instruments (1FU41))

INDUSTRY: (Banking (1BA20); Bonds (1BO97); Financial Services (1FI37); Fixed Income Investments (1FI12); Investment Management (1IN34); Loans (1LO12); Retail Banking Services (1RE38); Securities Investment (1SE57))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

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OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; Donald Carcieri; Gordon Fox; James Bennett; Keith Stokes; M. Teresa Paiva)

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5/15/12 PROVJ A
END OF DOCUMENT

Westlaw

NewsRoom

5/15/12 PROVJ (No Page)

Page 1

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May 15, 2012

BRIEF: R.I. Gov. Chafee meets with 38 Studios executives over company finances
Kate Bramson
The Providence Journal, R.I.

May 15--PROVIDENCE, R.I. -- Governor Chafee has met with 38 Studios executives and officials from the Rhode Island Economic Development Corporation in recent days, saying they're working at "protecting the taxpayer dollars."

Chafee said he's checking "in on all the financials" with regard to Curt Schilling's videogame company, which the economic-development agency gave a \$75-million loan guarantee before Chafee took office. While Chafee strongly criticized the idea of the loan guarantee for the former Boston Red Sox pitcher's company while he ran for office in 2010, he has since said it's important now to work with it and make sure it succeeds.

Reached Sunday, the governor said "it has been a weekend of work on this subject."

While the governor would not discuss details of the meetings with 38 Studios officials, he said there is a "tight timeframe we're working under."

"We're doing everything possible, like I would for any Rhode Island company," he said Monday afternoon at the State House, adding that the work at stake is "keeping 38 Studios solvent."

At 38 Studios Monday morning, the company was open for business and employees were reporting for work. A company executive has not returned a request for comment.

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5/15/12 PROVJ (No Page)

Page 2

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---- INDEX REFERENCES ----

COMPANY: 10TACLE STUDIOS AG; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26))

INDUSTRY: (Banking (1BA20); Baseball (1BA48); Entertainment (1EN08); Financial Services (1FI37); Loans (1LO12); Newspapers (1NE17); Publishing (1PU26); Retail Banking Services (1RE38); Sports (1SP75); Traditional Media (1TR30))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; Reached Sunday)

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5/15/12 PROVJ (No Page)
END OF DOCUMENT

Westlaw

NewsRoom

5/15/12 PROVJ (No Page)

Page 1

5/15/12 Providence J.-Bull. (R.I.) (Pg. Unavail. Online)
2012 WLNR 10258049
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May 15, 2012

BRIEF: City official: 38 Studios sought help from Providence
Kate Bramson
The Providence Journal, R.I.

May 15--PROVIDENCE, R.I. -- As 38 Studios executives have been meeting with Governor Chafee and leaders at the Rhode Island Economic Development Corporation over the past week, company executives also turned to the City of Providence for help.

James S. Bennett, the city's economic development director, said Monday night that two company executives called him either Thursday or Friday -- "letting us know, obviously, there are 200 jobs in the city, and [seeking] any help."

But the city has no role in monitoring the company or its financial status, Bennett said. He called EDC Executive Director Keith W. Stokes, whom Bennett said was already working on the matter.

"Those are the kinds of jobs we're trying to keep in Providence," Bennett said, referring to the video-gaming jobs at former Red Sox pitcher Curt Schilling's company.

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--- INDEX REFERENCES ---

COMPANY: RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Business Management (1BU42); Corporate Events (1CR05); Corporate Groups & Owner-

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5/15/12 PROVJ (No Page)

Page 2

ship (1XO09); Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Meeting Announcements (1ME17))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling; James Bennett; Keith Stokes)

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NewsRoom

5/15/12 PROVJ (No Page)

Page 1

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May 15, 2012

R.I. Gov. Chafee says he's working to make 'smart decisions' on 38 Studios
Kate Bramson
The Providence Journal, R.I.

May 15--PROVIDENCE, R.I. -- Pressed with questions about Curt Schilling's videogame company 38 Studios on Tuesday afternoon at the State House, Governor Chafee said he's working to determine as much as he can about the company's status, to keep the board of the Rhode Island Economic Development Corporation informed and to make sure the state is making "smart decisions."

Yet a full day after Chafee said state officials are working to keep the company "solvent," he would not divulge more about the finances of the company, which was lured to Rhode Island with a controversial \$75-million loan guarantee from the EDC.

And while Chafee said "of course" he has analyzed the costs to Rhode Island taxpayers if the loan cannot be paid back by the company, he wouldn't say what those costs might be.

"We're getting a grip on all the issues," he told a cluster of reporters at the State House. "We're talking about, the most important thing is going forward and the viability of the company, as I would with any Rhode Island company."

Asked if there is a "going forward," Chafee replied, "Of course. We'll do everything possible."

"When we know more than what we know now, when we know something that's definitive, we'll certainly be forthcoming."

More news on 38 studios

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5/15/12 PROVJ (No Page)

Page 2

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COMPANY: 38 STUDIOS LLC; RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Philanthropy (1PH09); Social Issues (1SO05))

INDUSTRY: (Banking (1BA20); Financial Services (1FI37); Loans (1LO12); Newspapers (1NE17); Publishing (1PU26); Retail Banking Services (1RE38); Traditional Media (1TR30))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (RHODE ISLAND ECONOMIC DEVELOPMENT CORP) (Chafee; Curt Schilling)

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NewsRoom

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Page 1

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May 15, 2012

R.I. Speaker Fox: 38 Studios in 'some default' on loan-guarantee payments
Katherine Gregg
The Providence Journal, R.I.

May 15--PROVIDENCE, R.I. -- House Speaker Gordon D. Fox said Tuesday that alarms went off about the financial health of 38 Studios, the video-game company owned by former Red Sox pitcher Curt Schilling that has a \$75-million state-backed loan guarantee, "when a loan-guarantee payment of about \$1.125 million was not made, which put the company into some default."

Fox said the head of the state economic-development agency, Keith Stokes, also told him Tuesday morning that 38 Studios is seeking a special meeting of the state's Economic Development Corporation, which is chaired by Governor Chafee.

Fox said it is not entirely clear what the company is seeking, but at the very least, it appears it wants EDC consent to bring in "some bridge financing from some other entities."

The speaker said the company is not asking the legislature for money, but "there was some talk of tax credits being part of the bridge financing."

Ask whether he had any concerns about the company's survival, Fox said: "My sense right now, from what I have been told is if they work out what seems to be, in terms of high finance, minor issues, that they will survive."

He said the response to the company's first foray into the game market has been good, and "he seems to have a lot of people around him who know what they are doing."

Fox also told reporters he has no regrets about backing the creation of the loan-guarantee program.

More news on 38 studios

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5/15/12 PROVJ (No Page)

Page 2

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COMPANY: JOHOR CORP

NEWS SUBJECT: (Economic Development (1EC65); Economic Development Agencies (1EC15); Economics & Trade (1EC26); Microcredit (1MI25))

INDUSTRY: (Banking (1BA20); Consumer Finance (1CO55); Financial Services (1FI37); Loans (1LO12); Retail Banking Services (1RE38))

REGION: (Americas (1AM92); North America (1NO39); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (KEITH STOKES) (Chafee; Curt Schilling; Gordon Fox)

Word Count: 278

5/15/12 PROVJ (No Page)

END OF DOCUMENT

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NewsRoom

4/4/12 PROVJ (No Page)

Page 1

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April 4, 2012

BRIEF: 38 Studios offers expansion pack for Amalur
Andy Smith
The Providence Journal, R.I.

April 04--PROVIDENCE, R.I. -- Rhode Island-based video game company 38 Studios is releasing a downloadable expansion pack for its first game, Kingdoms of Amalur: Reckoning.

The expansion pack, called Teeth of Naros, sells for \$9.99. It introduces players to a new city, a new race, new dungeons and new weapons. It will be available April 17.

38 Studios released Kingdoms of Amalur in February. The company, headed by former Red Sox pitcher Curt Schilling, relocated to Providence from Massachusetts after the state offered a \$75 million loan guarantee.

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---- INDEX REFERENCES ----

COMPANY: 38 STUDIOS LLC

INDUSTRY: (Application Software (1AP32); Consumer Electronics (1CO61); Consumer Products & Services (1CO62); Consumer Video Products (1CO02); Electronic Interactive Entertainment (1EL14); Electronics (1EL16); Entertainment (1EN08); Entertainment Multimedia Titles (1EN60); Games Software (1GA28); Home, Personal & Consumer Software (1HO01); I.T. (1IT96); PC, Video & Online Games (1PC44); Software (1SO30); Software Products (1SO56))

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4/4/12 PROVJ (No Page)

Page 2

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

Language: EN

OTHER INDEXING: (Curt Schilling)

Word Count: 112

4/4/12 PROVJ (No Page)

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NewsRoom

3/11/12 PROVJ G

Page 1

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March 11, 2012

Section: News

So why does 38 Studios cop a top-secret attitude? ; Mark Patinkin

I decided to get my \$75 million worth.

That's the loan guarantee Rhode Island taxpayers gave 38 Studios - - the video game company founded by Curt Schilling, one-time Red Sox ace. Schilling's part of the deal was to move his company here. He has done it. The headquarters is in downtown Providence. Now -- in return for my investment -- I wanted to see the place.

The hope is that 38 Studios will make it big. Mega-hit video games like "Call of Duty" have logged billions of dollars in sales. Schilling has said he is shooting that high. That would make it a home-run investment for the state.

Last month, the company released its first game. It's called "Kingdoms of Amalur: Reckoning." It's a warrior game set in a medieval fantasy world. Reviews have said it's very good and could sell a million copies. That would make it profitable.

But the big potential is ahead. The current Amalur is a single- player game. The mega-money is in multiplayer games. That's what the company is working on now out of its Providence headquarters.

By the way, 38 Studios unveiled its first game at a store in Bellingham, Mass., on Feb. 7. Curt Schilling himself was there. To be honest, as a Rhode Island taxpayer, it hurt my feelings. We're giving him a \$75-million guarantee, and he won't even launch his product here? What are we, chopped liver?

But Schilling has indeed delivered on jobs. The Rhode Island Economic Development Corp. says 38 Studios now has 270 employees with an average wage of more than \$80,000 a year. That's good for the state.

Still, I figure we also have a right to take a look at the company. For \$100 or so, you used to be able to watch

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3/11/12 PROVJ G

Page 2

Schilling pitch at Fenway. For a \$75-million ticket, you should get to see him work in Rhode Island. Or at least glimpse his team.

I started with the company website. It's very slick, and has a photo of its Providence headquarters at One Empire Plaza. It has impressive bios of heavy-weight execs, programmers and engineers.

Curiously, the main contact phone number has a 978 area code. That's in Massachusetts. But it's all I had, so I called it.

A recording welcomed me to 38 Studios. There was no option for an operator. They did invite me to use their dial-by-name directory. I decided to try for the big guy himself and punched in the numbers corresponding to "Schilling." The recording said, "Name not found."

I left a message in the general mailbox and decided it was time to just knock on the door.

I walked to One Empire Plaza.

I do understand you need a certain amount of secrecy when launching a video game, the same way you do with a new movie. Or any new product. But I didn't see a problem with peeking in. I'm not a techie. I wouldn't even know what to spy on. I just wanted to see the taxpayer-backed scene, and ask a few folks how it's going in what we all hope will be the birthplace of the Next Big Thing.

I arrived at the address. It's a big brick building covering most of a block. There's no company sign on the outside -- not even a plaque by the main door. I wish there were. Part of economic development is a vibrant downtown, so for \$75 million, they should dress up their building.

Someone was exiting the main door as I arrived, so I walked through it into the ground-floor lobby. All the action was upstairs so there was nothing to see here. There was just a security guard behind a desk, and a small sitting area by a TV that did say "38 Studios" on the screen.

The guard told me I couldn't use the elevators or go anywhere. Then another security guy came out. He gave his name as Eric Hemmer. He was very nice but said I shouldn't have been able to get into the building. He said 38 Studios is the only tenant.

I asked if I could please see the operation. I promised to behave.

He said I couldn't. "They've turned away everyone," he explained.

I asked if he'd been up there in the nerve center -- and was it cool?

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3/11/12 PROVJ G

Page 3

He said yes to both my questions, but added, "We're not allowed to talk about the game or the company."

Then he told the Journal photographer accompanying me he was sorry, but no pictures.

Then everyone was awkward for a few seconds.

Then I left.

Memo to Curt Schilling: I'm sincerely hoping you make a few billion and quadruple the size of the company.

But meanwhile, on behalf of the taxpayers who've backed you, and in return for our \$75 million, I'd like to see the darn place. Call me.

There's no company sign on the outside -- not even a plaque by the main door, and Mark Patinkin says he wishes there were. For \$75 million, they should dress up their building, he says. The Providence Journal mpatinki@providencejournal.com (401) 277-7370

--- INDEX REFERENCES ---

COMPANY: RHODE ISLAND PORT AUTHORITY AND ECONOMIC DEVELOPMENT CORP

NEWS SUBJECT: (Entertainment Law (1EN33))

INDUSTRY: (Application Software (1AP32); Consumer Electronics (1CO61); Consumer Products & Services (1CO62); Consumer Video Products (1CO02); Electronics (1EL16); Entertainment (1EN08); Games Software (1GA28); Home, Personal & Consumer Software (1HO01); I.T. (1IT96); Music (1MU57); Musical Instruments (1MU36); PC, Video & Online Games (1PC44); Software (1SO30); Software Products (1SO56))

REGION: (Americas (1AM92); North America (1NO39); Rhode Island (1RH18); U.S. New England Region (1NE37); USA (1US73))

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END OF DOCUMENT

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NewsRoom

2/19/12 PROVJ F

Page 1

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February 19, 2012

Section: Business

'Reckoning' Reviews ; 38 studios video-game debut

Paul Grimaldi; Paul Grimaldi, Journal Staff Writer

Four players at Temple Games in Pawtucket tell us what they think of Providence-based

38 Studios' 'Kingdoms of Amalur: Reckoning'

PAWTUCKET -- Video-game fans have a new world to check out -- "Kingdoms of Amalur: Reckoning" -- the role-playing game turned out by a subsidiary of Providence-based 38 Studios.

The run-up to the release of "Reckoning" on Feb. 7 was full of media and blog reports about 38 Studios' founder -- ex-Red Sox pitcher Curt **Schilling** -- and the all-star development team he put together. The game was developed by 38 Studios Maryland subsidiary, Big Huge Games, and it retails for \$59.95.

In the company's Providence headquarters at One Empire Plaza, 38 Studios is working to create a massive multi-player online game (MMOG) set in the same digital universe as "Reckoning."

What really matters in the world of consumer goods -- whether it's video games, furniture or pet food -- is not the company pedigree, the marketing muscle or the shelf space in the stores. It's whether the cats like the cat food.

The early reviews on "Reckoning" generally have been positive. The New York Times reviewer Seth Schiesel wrote, "Kingdoms of Amalur: Reckoning" isn't just good. It sings with infectious, engaging excellence. This is a game that knows exactly what it wants to be, what it wants to provide and what its players will enjoy. Then it delivers with confidence, style and, not least, fun in abundance. 'Kingdoms of Amalur: Reckoning' is one of the finest action role-playing games yet made."

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2/19/12 PROVJ F

Page 2

Though it's early in the life of a game that promises 100 or more hours of game play, the game is being lauded for its lush graphics, solid combat system and streamlined loot management. There's been some criticism of thin character development amid a cliched storyline.

To learn how local gamers view "Reckoning," we asked 38 Studios for copies of the game, which they graciously provided. We turned them over to the people at Temple Games in Pawtucket, who took a deep dive into this new fantasy world.

This is what they have to say:

GRANT GARVIN, 30, Pawtucket, co-owner Temple Games

"Kingdoms of Amalur: Reckoning" is a difficult game to review. Clearly presented as a role-playing game (RPG), it is undeniably packed with a great deal of content by way of vibrant places to explore, powerful treasures to discover and fierce enemies to battle with a truly enjoyable combat system.

With this significant amount of content it remains a fun diversion, but it fails in the one area that is critical to making such a large RPG enticing to play. It lacks immersion, and as such the pull to return to this new fantasy world is weak.

The environments you explore as the protagonist in this world are lush, colorful and interesting. Unfortunately, this breathtaking backdrop only serves to highlight the stark disjunction with the wooden characters and dialogue. I did not feel that I ever meaningfully interacted with this world with any sense of depth or drama. As my journey took my character from one end of the Faelands to the other, I felt like merely a tourist or visitor to the world rather than a living part of it.

Despite doing many things right in terms of design, and successfully borrowing the strong points of a number of popular games in the genre, there is a soulless presence along with a sense of "design by committee" that is difficult to ignore. While I applaud the talent at 38 Studios for creating a new intellectual property that seems like it will have a bright future, (this offering may be a perfect introductory title for those new to role-playing games) "Kingdoms of Amalur: Reckoning" highlights the inevitable growing pains of a new development studio finding its footing in the gaming industry.

MADAME XIMON, 42, Pawtucket, co-owner Temple Games/TempleCon creative director

I think that the game draws heavily from other popular RPGs, in some cases lifting elements directly from specific games, yet "Kingdoms of Amalur: Reckoning" does not bring anything new or innovative to the table. The main storyline is lackluster, failing to draw me further into the game. If I hadn't been playing the game for the purpose of reviewing it, I probably wouldn't have made it past the first 10 minutes. I have spent most of my time in the game playing the side quests and exploring the world. Every time I have to interact with another character

and listen to the contrived and poorly written dialogue, I cringe and race to get through it. The liberal use of Irish and English accents is irritating and serves to emphasize the mangling of British Isles mythology in which this story is engaged.

The environments in the game are quite lovely -- whoever created those deserves high praise (and a raise!) for their work. But in sharp contrast, the characters are frequently poorly drawn, with disproportionately small heads on their bodies (almost as if the game's creators wish to emphasize how little you will be using your brain in this game).

The grossly sexist portrayal of the female version of the main character had me seething throughout the game.

Drawing a female character whose resting stance thrusts both breasts and behind into the air like a cat in heat, practically breaking the character's back to do so, is not the way to market your game to the millions of female gamers to whom a successful RPG needs to be targeted.

This sexism continues in the costuming of female characters, with non-player characters frequently shown in skimpy outfits not worn by their male counterparts, as well as the promotional shepherd armor appearing with cleavage-emphasizing stripes on the female character that do not similarly emphasize pectoral muscles on the male character. This ham-handed sexism is just another factor adding to the overall mediocrity of "Kingdoms of Amalur: Reckoning."

There are fun moments in the game. I thoroughly enjoyed the combat, at least for the first few dozen encounters. After that, it became apparent that the game is woefully lacking the ability to make combat in this game challenging. I started to feel sorry for my outmatched opponents.

Ultimately, the combat underlines both the good and the bad in "Kingdoms of Amalur: Reckoning." It is easy, accessible fluff, in a moderately pretty package, without any real challenges or underlying hooks to pull you in and give you reason to stick with it.

RYAN PEASE, 21, Seekonk, freelance photographer

This first offering from 38 Studios gives gamers a good value for the money in the amount of content and enjoyment. Any game that is the first product from a new company will be under great scrutiny. While far from perfect, "Reckoning" is above all else a fun game. Hack-and-slash combat paired with stunning environmental effects will keep any gamer entertained. That said, this left something to be desired.

Game play, while great fun at first, felt repetitive after hours of play. The enemies your character encounters tend to be dumb, allowing players to dodge attacks. The storyline is a valiant attempt at creating a unique universe but does not deliver on its promise. The game gives you little reason to invest emotionally in who you meet in your travels.

2/19/12 PROVJF

Page 4

The game's release date leaves it fighting for attention with genre-shattering games "The Elder Scrolls V: Skyrim" and "Mass Effect 3." While "Reckoning" will grab the attention of many casual gamers, it will not grab the attention of hardcore players.

JIM OWENS, 25, Providence, technology systems manager "Kingdoms of Amalur: Reckoning" is a game that chooses to focus on rewarding players through fast-paced combat, a sound leveling system and a constant stream of loot. While it does these things very well, it seriously lacks in the areas of storyline, character development and creating an immersive experience for the player. The RPG player who prefers game play to be a vehicle used to progress a game's story will likely find "Reckoning" lacking, while a player who is willing to sacrifice depth for pure hack-and-slash fun will feel right at home in this game world.

"Kingdoms of Amalur: Reckoning," on a screen at Temple Games in Pawtucket. The game was developed by 38 Studios' Maryland subsidiary, Big Huge Games, and it retails for \$59.95. The Providence Journal / STEVE Szydlowski

Owens Jim Owens: "Player ... willing to sacrifice depth for pure hack- and-slash fun will feel right at home." The Providence Journal / steve Szydlowski

Owens Jim Owens: "Player ... willing to sacrifice depth for pure hack- and-slash fun will feel right at home." The Providence Journal / steve Szydlowski pgrimald@providencejournal.com (401) 277- 7356

---- INDEX REFERENCES ----

COMPANY: BIG HUGE GAMES INC; NEW YORK TIMES CO (THE); PROVIDENCE JOURNAL CO

INDUSTRY: (Application Software (1AP32); Consumer Electronics (1CO61); Consumer Products & Services (1CO62); Consumer Video Products (1CO02); Electronic Interactive Entertainment (1EL14); Electronics (1EL16); Entertainment (1EN08); Entertainment Multimedia Titles (1EN60); Games Software (1GA28); Home, Personal & Consumer Software (1HO01); I.T. (1IT96); PC, Video & Online Games (1PC44); Software (1SO30); Software Products (1SO56))

REGION: (Americas (1AM92); Maryland (1MA47); North America (1NO39); Rhode Island (1RH18); U.S. Mid-Atlantic Region (1MI18); U.S. New England Region (1NE37); USA (1US73))

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OTHER INDEXING: (STUDIOS MARYLAND) (Curt Schilling; GRANT GARVIN; JIM OWENS; MADAME XIMON; RYAN PEASE; Seekonk; Seth Schiesel)

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2/19/12 PROVJF

Page 5

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2/19/12 PROVJF

END OF DOCUMENT

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NewsRoom

11/16/11 PROVJ A

Page 1

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November 16, 2011

Section: Local News

38 Studios receives final payment from EDC ; business

Kate Bramson; Kate Bramson, Journal Staff Writer

The \$1.58 million was part of \$75-million loan guarantee to Curt **Schilling's** company

PROVIDENCE -- The State of Rhode Island has paid Curt **Schilling's** video-game company the final payment due under the \$75-million loan guarantee from the state's Economic Development Corporation.

38 Studios received \$1.58 million on Nov. 8 after showing the EDC documentation that it now employs at least 250 people, EDC spokeswoman Judy Chong said. That brings the total in direct payments to the company to \$47.4 million, EDC records show.

The company has received financial payouts as it meets certain milestones, such as relocating to Providence, creating a set number of jobs with an annual wage of at least \$67,500 and entering into a distribution agreement to sell its second game that's under development.

As of Oct. 26, records provided to the EDC show that **38 Studios** was paying salaries and taxes for 270 employees, Chong said. Of those, 261 were full-time employees and 9 were paid interns from Rhode Island-based academic institutions, Chong said.

Of those employees, 251 qualify under the requirements for the job guarantee, Chong said. Their average wage is \$83,426.83.

When the state EDC agreed to issue \$75 million in bonds to help **38 Studios** move to Rhode Island from Maynard, Mass., the decision met with controversy and political backlash from the business community and politicians during the 2010 election cycle, including then-gubernatorial candidate Lincoln D. Chafee.

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The EDC set aside more than \$20 million of the bond proceeds into reserve funds to pay the first two years of interest due on the bonds, and in case 38 Studios misses a payment. Schilling's company, which expects to release its first video game on Feb. 7, is not expected to start paying money back under the agreement until 2013.

A 38 Studios spokesman has not returned calls and e-mails from The Providence Journal this week.

Schilling tweeted last week that the company had launched two new websites, one for the company's first game, "Kingdoms of Amalur: Reckoning," and the other about the online fantasy world of Amalur that the company has created for both of its games.

Earlier EDC records indicated the company would receive direct payments of more than \$50 million because that's what remained in the "project fund."

But that didn't take into account additional transactions, said Chong and the EDC's chief financial officer, Susan Morgan.

From that project fund, 38 Studios had to put about \$2.1 million into an account with Citizens Bank as collateral in case it misses lease payments on its headquarters in Providence. Additionally, there were outstanding payments due to lawyers and others who worked on the bond deal, Morgan said.

The bonds must be paid back over 10 years, with interest-only payments due this year and next, and principal and interest payments due in the next eight years. Those payments will total \$112,587,089.13.

So far this year, interest payments to bondholders have been made out of one of the reserve funds -- \$2.64 million in May and \$2.65 million on Nov. 1, Chong said. The full amount paid to the bondholders this year by BNY Mellon, the trustee of that account, equals \$5.29 million, Chong said. About the same amount must be paid next year by BNY Mellon out of that reserve fund.

The first payment from 38 Studios is due on May 1, 2013. The company will then be responsible for making payments each Nov. 1 and May 1, equaling about \$12.75 million each year and totaling about \$102 million in those eight years the company must make payments.

The company's final payback for the money it has now received is due on Nov. 1, 2020.

38 Studios loan breakdown

The EDC bond sale raised \$75 million. Here's how the money has been distributed.

11/16/11 PROVJ A

Page 3

Direct payments to 38 Studios__ \$47.4 million

Debt service reserve fund - set aside in case company misses bond payment__ \$12.8 million

Capitalized interest fund - set aside for first two years of interest payments__ \$10.6 million

Reserve fund with Citizens Bank as collateral for building-lease payments__ \$2.1 million

Other fees, including payments to bond underwriters and lawyers, bond insurance, trustee fees and analytical services__ \$2.2 million

Total __ \$75 million

Source Rhode Island Economic Development Corporation Note: The total does not equal \$75 million exactly due to rounding.

As of Oct. 26, records provided to the EDC show that 38 Studios

was paying salaries and taxes for 270 employees. kbramson@providencejournal.com (401) 277-7470

---- INDEX REFERENCES ---

COMPANY: EMIRATES DRIVING COMPANY P J S C; FIRST UNITED SECURITY BANK; ECONOMIC DEVELOPMENT CORP; BNY MELLON; CITIZENS BANK NA; CITIZENS BANK AND TRUST CO THE; BNY MELLON NA; BNY MELLON N A; CITIZENS BANK; ENERGY DEVELOPMENT CORP; CITIZENS BANK AND TRUST CO INC; CITIZENS BANK & SAVINGS CO; CITIZENS 1ST BANK; CITIZENS BANK AND TRUST CO OF JACKSON; CITIZENS BANK OF CANADA; BANK OF NEW YORK MELLON SA (THE); CITIZENS BANK INC; CITIZENS BANK (VILLE PLATTE); EDC LTD; CITIZENS BANK OF BLYTHEDALE; UNITED CITIZENS BANK AND TRUST CO; SALINES ECONOMIC DEVELOPMENT CORP; CITIZENS BANK THE; BANK OF NEW YORK MELLON CORP (THE); CITIZENS BANK AND TRUST CO; BANKEAST; CITIZENS BANK (INC); CITIZENS BANK OF FLORIDA; CITIZENS COMMUNITY BANK; CITIZENS BANK (MOREHEAD KY) (THE); CITIZENS BANK (THE); CITIZENS BANK AND TRUST OF GRAINGER COUNTY; CITIZENS BANK AND SAVINGS CO; CITIZENS BANK AND TRUST MS; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; CITIZENS BANK OF WESTON INC (THE); EXPORT DEVELOPMENT CANADA; BNY MELLON SERVICE KAPITALANLAGE GMBH

NEWS SUBJECT: (Rhode Island Municipal Bonds (1MU80); Funding Instruments (1FU41); Economic Development Agencies (1EC15); Economic Development (1EC65); Economics & Trade (1EC26); Corporate Events (1CR05); Municipal Bonds (1MU39); Corporate Funding (1XO17); Business Management (1BU42))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Electronics (1EL16); Banking (1BA20); PC, Video & Online Games (1PC44); Loans (1LO12); Securities Investment (1SE57); Bonds

11/16/11 PROVJ A

Page 4

(1BO97); Consumer Products & Services (1CO62); Consumer Electronics (1CO61); Financial Services (1FI37); Consumer Video Products (1CO02))

REGION: (Americas (1AM92); USA (1US73); North America (1NO39); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (BNY MELLON; CITIZENS BANK; EARLIER EDC; ECONOMIC DEVELOPMENT CORP; EDC; SOURCE RHODE ISLAND; STATE EDC) (Chong; Curt Schilling; Debt; Judy Chong; Lincoln D. Chafee; Morgan; Schilling; Susan Morgan)

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11/16/11 PROVJ A

END OF DOCUMENT

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NewsRoom

11/15/11 PROVJ (No Page)

Page 1

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November 15, 2011

BRIEF: RI has paid **Schilling's** company final installment
Kate Bramson
The Providence Journal, R.I.

Nov. 15--PROVIDENCE -- The state of Rhode Island has paid Curt **Schilling's** video-game company the final payment due under the \$75-million loan guarantee from the state's Economic Development Corporation.

38 Studios received \$1.58 million on Nov. 8 after showing the EDC documentation that it now employs at least 250 people, EDC spokeswoman Judy Chong said.

That brings the total in direct payments to the company to \$47.4 million, EDC records show.

When the state EDC agreed to issue \$75 million in bonds to help 38 Studios move to Rhode Island from Maynard, Mass., the decision met with controversy and political backlash from the business community and politicians during the 2010 election cycle.

The bonds must be paid back over 10 years.

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---- INDEX REFERENCES ----

COMPANY: EMIRATES DRIVING COMPANY P J S C; ENERGY DEVELOPMENT CORP; EDC LTD;
ECONOMIC DEVELOPMENT CORP; SALINES ECONOMIC DEVELOPMENT CORP; CA LA ELECTRI-

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11/15/11 PROVJ (No Page)

Page 2

CIDAD DE CARACAS SACA; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (ECONOMIC DEVELOPMENT CORP; EDC; MCT INFORMATION SERVICES; STATE EDC) (Curt Schilling; Judy Chong; Nov; Schilling)

Word Count: 142

11/15/11 PROVJ (No Page)

END OF DOCUMENT

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NewsRoom

8/17/11 PROVJA

Page 1

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August 17, 2011

Section: Local News

Schilling's firm gets distributor for video game ; Business

Kate Bramson; Kate Bramson, Journal Staff Writer

Achievement allows 38 Studios to receive a \$4.1-million installment in state-backed loans

PROVIDENCE -- Curt **Schilling's** video-game company has passed a significant milestone in the development of an online game under a \$75-million loan guarantee from the state's Economic Development Corporation.

As a result of securing a distribution agreement for the game, code-named Project Copernicus, 38 Studios received a \$4.1-million installment Tuesday, guaranteed by the EDC.

The EDC won't release the name of the distributor, said Melissa Chambers, a spokeswoman for the EDC, who announced the payment.

A call to 38 Studios CEO Jen MacLean in downtown Providence was not returned. A Los Angeles-based spokesman for the company, Larry Solters, did return a call late Tuesday but had no immediate comment on who would distribute the game.

Project Copernicus is the working name for the "massive multiplayer online game" (MMOG) that employees here are working to create. It is the second game under development by 38 Studios.

The company's first game, "Kingdoms of Amalur: Reckoning," will be distributed by Electronic Arts Inc. It's expected to be released on Feb. 7, according to a news release on the EA website. That game was developed by Ken Rolston, lead designer of Big Huge Games, a Maryland company that 38 Studios acquired in 2009.

Both EDC Executive Director Keith W. Stokes and the EDC's legal counsel, David Gilden, met with 38 Studios in early August to review the distribution agreement for Project Copernicus, Chambers said.

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8/17/11 PROVJA

Page 2

The Tuesday payment to 38 Studios brings the total the company has received through the state's loan-guarantee program to \$45.8 million.

The final payment -- about \$6.7 million -- is due once the company certifies to the EDC that it has 250 employees here in Providence who earn an average annual wage not less than \$67,500.

In May, the EDC said the company had reported that 158 of its 164 employees then in Providence earned such a wage. Last week, another EDC spokeswoman, Judy Chong, said the company has recently told the EDC that it has 232 employees working here, but Chong did not know how many of those employees earned the required wage.

Although the loan guarantee, which sparked controversy when the EDC approved it last summer, is for \$75 million, the company will not receive all of that money, as some is set aside in case the company doesn't meet deadlines to pay back the loan.

Games such as Project Copernicus -- the 38 Studios' MMOG -- are the Holy Grail of the gaming world. They take place in vast online worlds and are enormously expensive and labor-intensive to build, 38 Studios CEO MacLean told the EDC a year ago when she gave a presentation to the board.

"It's like making a movie, times 10," she said at the time.

The setting for both of 38 Studios' games is an online world created by fantasy novelist R.A. Salvatore and comic book artist Todd McFarlane.

Last year, as the EDC considered granting the loan guarantee to 38 Studios, the agency spoke of the benefit of bringing in an "anchor" company as the state tried to create an industry cluster here. Struggling with high unemployment for more than two years now, Rhode Island has worked to expand the kinds of work and jobs available here.

Two companies that the agency turned to for analysis, Strategy Analytics and Perimeter Partners, each noted the difficulties of using one company -- 38 Studios -- as the anchor to attract other similar businesses because the industry is highly competitive and MMOG games require such resources to develop.

"This is analogous to an 'all in' hand in poker," the analysts stated.

The Tuesday payment to 38 Studios brings the total the company has received through the state's loan-guarantee program to \$45.8 million. kbramson@projo.com / 277-7470

---- INDEX REFERENCES ---

8/17/11 PROVJA

Page 3

COMPANY: ENERGOAQUA JSK; EMIRATES DRIVING COMPANY P J S C; ENERGY DEVELOPMENT CORP; EDC LTD; ELECTRONIC ARTS INC; ECONOMIC DEVELOPMENT CORP; TRUENERGY PTY LTD; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economic Development Agencies (1EC15); Economic Development (1EC65); Joint Ventures (1JO05); Economics & Trade (1EC26); Corporate Events (1CR05); Entertainment Law (1EN33); Business Management (1BU42))

INDUSTRY: (Retail Banking Services (1RE38); Electronics (1EL16); Banking (1BA20); PC, Video & Online Games (1PC44); Loans (1LO12); Entertainment (1EN08); Consumer Products & Services (1CO62); Electronic Interactive Entertainment (1EL14); Wholesale Trade & Distribution (1WH58); Internet (1IN27); Consumer Electronics (1CO61); Business Services (1BU80); Internet Media (1IN67); Financial Services (1FI37); Consumer Video Products (1CO02); Distribution (1DI73))

REGION: (Americas (1AM92); USA (1US73); North America (1NO39))

Language: EN

OTHER INDEXING: (EA; ECONOMIC DEVELOPMENT CORP; EDC; ELECTRONIC ARTS INC; PROJECT COPERNICUS) (Achievement; Chambers; Chong; Copernicus; Curt Schilling; David Gilden; Jen MacLean; Judy Chong; Keith W. Stokes; Ken Rolston; Larry Solters; MacLean; Melissa Chambers; Perimeter Partners; Project Copernicus; R.A. Salvatore; Schilling; Strategy Analytics; Todd McFarlane)

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8/17/11 PROVJA
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NewsRoom

8/15/11 PROVJ A

Page 1

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August 15, 2011

Section: Local News

Growing software business remains sold on Providence

Kate Bramson; Kate Bramson, Journal Staff Writer

PROVIDENCE -- On "innovation walls" throughout the company's multiple floors of office space in two separate Westminster Street buildings, Andara employees post ideas they hope to turn into projects, seeking colleagues who want to work with them.

And once every couple of months, the interested employees stay after work and "code all night," says CEO Charlie Kroll, who's often among those who come in at 5 o'clock the next morning to watch those employee teams demonstrate the results of their all-night sessions.

Over 11 years, Kroll and his team have built a company that has attracted more than 500 financial institutions as customers for the software that allows them to open customer accounts online.

As the company continues to expand, it has outgrown its hodgepodge of office space, so Kroll, 33, just signed a lease on new office space in The Gateway Center, at 15 Park Row West. It's the former American Express building, near the downtown train station. And for this CEO who hopes his 85 employees will grow to 200 within five years, there's room to grow -- the other half of the floor is empty. Kroll says it never crossed his mind to leave the capital city. He's committed to staying in the city where he launched the company in his Fox Point apartment while a senior at Brown University. It's a great place to raise a family, the father of two says.

It's not easy, however, to find the right employees, Kroll says, citing that as the only reason that could have driven him to look elsewhere. He acknowledges there are "a lot more great people" as potential employees in places like Cambridge, Mass., and Silicon Valley. "But there's also more competition there," he says.

Plus, Providence has the advantage of multiple universities and a transportation system that easily connects the city to places beyond, he says.

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8/15/11 PROVJA

Page 2

"The only compelling reason [to leave] would have been access to people, and we have no compelling information we would find an easier time anywhere else," he says.

Another reason companies leave Providence is they can't raise or borrow the money they need to grow, Kroll says. But he says accessing capital hasn't been a problem for Andera, whose annual revenue was between \$8 million and \$9 million last year.

The company raised \$2.5 million over eight years in four rounds of angel investments. It has gotten loans from the Rhode Island Economic Development Corporation, the state agency charged with creating and sustaining jobs; the nonprofit Providence Economic Development Partnership, the city's economic-development arm; and The Business Development Company, a secondary lender funded by member banks.

Then last fall, Andera was among a handful of companies actively seeking a loan guarantee from the EDC under the newly created program that allowed the agency to award a \$75-million loan guarantee to 38 Studios, former Red Sox pitcher Curt Schilling's company. After that loan sparked such controversy, the agency held off giving out more loan guarantees while it explored how to instead help smaller companies.

Kroll did not have time to wait for the EDC to determine how it might assist a company like his, so he sought venture-capital funding and a bank loan.

Andera announced the closing of a \$9-million investment led by Edison Ventures last fall, and then other venture-capital investors jumped in, increasing the amount raised to \$10.5 million. Andera also got a bank loan of up to \$5 million from Silicon Valley Bank, one of the few banks, Kroll says, that work with venture-backed companies.

Those financial successes helped fuel the company's expansion.

"We're not looking for the EDC loan anymore," Kroll says.

More traditional, cash-flow types of businesses have a harder time accessing capital here because they're more likely to need traditional bank loans, Kroll says. But growth businesses like his are less reliant on those difficult-to-get loans, he says.

"In general, investors will go where the opportunities are," says Kroll, adding that they've found local start-ups - NABsys, Swipely and Shape Up The Nation, as well as Andera -- to be attractive investments. "Three to four years ago, you didn't see such a core of venture-backed companies [here]. But somehow, a core of us are pulling it together in the last year or so."

Now, Kroll can focus on his company's move to the second floor of The Gateway Center, which will increase

the company's footprint from about 9,000 square feet to 15,000 square feet.

He expects having everyone on one floor will enhance the ways his employees collaborate, leading to even more innovations.

In June, the company launched its answer to the efforts of online frauds who want to open multiple bank accounts without being spotted by banks -- a new program called FortiFI, which uses a complicated system of algorithms to flag suspicious transactions so banks can investigate further before opening an account online.

"That was not an accident," Kroll says of the way the company attacked fraud with new software. "An empowered person here said, 'We don't have to let this happen. We can stop this.' "

Kroll is turning his attention to the company's new office space, which will have an open floor plan without barriers between work spaces.

And yes, the innovation walls will travel with Andera into the new space.

"Three to four years ago, you didn't see such a core

of venture-backed companies [here]." Charlie Kroll, Andera CEO

Charlie Kroll, 33, sits in the corner of a cramped office at Andera. The Providence company of 85 employees has outgrown the two offices it now occupies on Westminster Street. Kroll began the business while he was a senior at Brown University. The Providence Journal / Steve Szydlowski

Charlie Kroll, chief executive officer of the software company Andera, stands in front of the innovation board, where employees tack up their ideas. The Providence Journal / Steve Szydlowski kbramson@projo.com / 277-7470

---- INDEX REFERENCES ----

COMPANY: EMIRATES DRIVING COMPANY P J S C; AMERICAN EXPRESS INTERNATIONAL BANKING CORP; ECONOMIC DEVELOPMENT CORP; CONG TY CO PHAN PHUONG TAY; SVB FINANCIAL GROUP; AMERICAN EXPRESS POLAND SA; BROWN UNIVERSITY IN PROVIDENCE IN THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS; AMERICAN EXPRESS CO; WEST CORP; THOMPSON TRAVEL INC; AMERICAN EKSPRESS MEZHDUNARODNYE USLUGI ZAO; ENERGY DEVELOPMENT CORP; NORTH AMERICAN MORTGAGE INVESTORS; WEST; DEVELOPMENT CORP; EDC LTD; AMERICAN EXPRESS; BROWN UNIVERSITY; SILICON VALLEY BANK; AMERICAN EXPRESS(INDIA) PVT LTD; GATEWAY CENTER LLC; AMERICAN EXPRESS LTD; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; EXPORT DEVELOPMENT CANADA; ROSENBLUTH INTERNATIONAL CO; AMERICAN EXPRESS REISEBUERO GMBH

8/15/11 PROVJ A

Page 4

NEWS SUBJECT: (Economics & Trade (1EC26); Funding Instruments (1FU41); Economic Development Agencies (1EC15); Venture Capital (1VE73); Corporate Funding (1XO17); Economic Development (1EC65))

INDUSTRY: (Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (AMERICAN EXPRESS; BROWN UNIVERSITY; DEVELOPMENT CORP; EDC; GATEWAY CENTER; PARK ROW; RED SOX; SILICON VALLEY BANK; WEST) (Andera; Charlie Kroll; Curt Schilling; Edison Ventures; Kroll; Shape; Silicon Valley)

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8/15/11 PROVJ A

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NewsRoom

8/15/11 PROVJ (No Page)

Page 1

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August 15, 2011

13 firms vie for \$50 million as EDC rewrites the rules
Kate Bramson
The Providence Journal, R.I.

Aug. 15--A year after former Red Sox pitcher Curt **Schilling** won approval from the Economic Development Corporation for a \$75-million loan guarantee, 13 more companies are actively seeking help for their own companies under the same program.

While an additional \$50 million is available under the state's Job Creation Guaranty Program created by the legislature last year, no other company has yet received money as **Schilling** has.

That's because the guarantee provided to **38 Studios**, **Schilling's** video-game company, sparked such controversy in the business community and drew sharp criticism during the governor's race. When one of its harshest critics, candidate Lincoln D. Chafee, won election, the EDC agreed to hold off on approving any more guarantees until the new administration weighed in on how the agency should proceed.

The EDC began writing rules for how to award future guarantees. Chafee and the EDC board say they want the agency to help more companies by providing smaller guarantees than **Schilling's**.

The new rules approved last month by the agency's board of directors become active Tuesday.

The agency has now limited to \$10 million the amount of loan guarantee for any one company.

Six of the companies now exploring their options for getting a loan guarantee from the EDC are from Rhode Island, and seven are from out-of-state, according to EDC spokeswoman Melissa Chambers. While the agency declined to name the businesses, Chambers said they include manufacturers and companies in the biomedical, information technology and life-sciences industries.

In all, the companies are seeking \$46 million, agency spokeswoman Judy Chong said. Nine have completed applications, and the others are talking with EDC officials about whether to do the same, Chong said.

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8/15/11 PROVJ (No Page)

Page 2

But the EDC says it's not too late for other companies interested in such a loan to explore whether they might be eligible for some of the money. No decisions have been made about the requests pending before the agency, Chong and Chambers said.

"We don't have a deadline. The doors are open," Chambers said. "We encourage companies that would qualify for the Job Creation Guaranty Program to apply."

Of six companies interested before last fall's election, only one is no longer pursuing such funding, Chambers said.

That's financial software developer Andera, whose CEO told The Journal he's no longer seeking the loan guarantee.

Schilling's 38 Studios has already received \$41.7 million of the money promised the company through the loan guarantee, according to EDC records. That's nearly 80 percent of the money the company is set to receive in installments as it meets certain milestones -- the \$75 million includes money set aside in case the company doesn't meet deadlines to pay back the loan.

In order to get some of its loan money, 38 Studios was required to have at least 125 full-time jobs in Rhode Island that pay an average annual wage not less than \$67,500. In May, the EDC said the company had reported that 158 of its 164 employees then in Providence earned such a wage.

One of the company's remaining two payments is due when it certifies to the EDC that it has an additional 125 employees earning that amount -- for a total of 250, expected by Jan. 31, bond documents show.

Chong said the company has recently told the EDC it now has 232 employees here in Providence, where the company headquarters are at One Empire Plaza. However, she doesn't know how many of those employees earn that required wage, and the company is not required to report wages until it requests that next installment of money from the loan guarantee, Chong said.

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---- INDEX REFERENCES ----

COMPANY: EMIRATES DRIVING COMPANY P J S C; ENERGY DEVELOPMENT CORP; EDC LTD; ECONOMIC DEVELOPMENT CORP; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; JOURNAL; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

8/15/11 PROVJ (No Page)

Page 3

INDUSTRY: (Loans (1LO12); Retail Banking Services (1RE38); Financial Services (1FI37); Banking (1BA20))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (ECONOMIC DEVELOPMENT CORP; EDC; JOB CREATION GUARANTY PROGRAM; JOURNAL; RED SOX) (Aug; Chafee; Chambers; Chong; Curt Schilling; Judy Chong; Lincoln D. Chafee; Melissa Chambers; Schilling)

Word Count: 595

8/15/11 PROVJ (No Page)

END OF DOCUMENT

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NewsRoom

5/25/11 PROVJ (No Page)

Page 1

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May 25, 2011

Rhode Island EDC proposes cap on loan guarantees
Kate Bramson
The Providence Journal, R.I.

May 25--If proposed changes by the state Economic Development Corporation are adopted, no other company will be eligible for the size of the controversial loan guarantee -- \$75 million -- that Curt Schilling's video-game company received last year.

The EDC is seeking to cap the total guarantee amount that any project can receive at \$10 million.

Additionally, the EDC is working to finalize a new program that Governor Chafee lauded in March when the federal administrator of the U.S. Small Business Administration visited Rhode Island. That program would allow small businesses in the state that are getting SBA-backed loans from commercial lenders to access \$5 million from the same loan-guarantee fund that backed Schilling's 38 Studios.

The SBA has traditionally backed up to 75 percent of loans that commercial lenders give small businesses, an incentive for banks to make the loans. Federal stimulus money allowed the SBA to back up to 90 percent of such loans, but because that money is no longer available, the EDC is working to provide an additional 15-percent backing with money from the state's Job Creation Guaranty Program.

Since Schilling's company got the \$75-million guarantee, \$50 million remains in the guarantee fund the state legislature created last year. The EDC is proposing that \$5 million of the remaining money be set aside to back such bank loans.

Chafee, who is chairman of the EDC board and was a vocal critic during his campaign of the Schilling deal, and the EDC board have pushed for the changes to the Job Creation Guaranty Program. The EDC board approved the changes at its April meeting, and it is now in the required public comment period, which ends Friday.

EDC Executive Director Keith W. Stokes told the board Monday that the agency held a public hearing on the proposed changes Monday morning but "did not receive any members of the public to provide any comment."

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5/25/11 PROVJ (No Page)

Page 2

If comments were to come in by Friday, the agency would work to revise the proposed changes. Otherwise, they'll come back to the board in June for further review and final approval, Stokes said.

Details about the changes are available on the EDC's main website, www.riedc.com, under the "Public Notices" header on the left side of the page.

Anyone may comment until 4:30 p.m. Friday, either orally or in writing to Sherri Carrera, RIEDC, 315 Iron Horse Way, Suite 101, Providence, RI 02908, e-mail scarrera@riedc.com; or call (401) 278-9100.

kbramson@projo.com

--- INDEX REFERENCES ---

COMPANY: SBA; US SMALL BUSINESS ADMINISTRATION; ENERGY DEVELOPMENT CORP; EDC LTD; ECONOMIC DEVELOPMENT CORP; CA LA ELECTRICIDAD DE CARACAS SACA; SAUD BAH-WAN AUTOMOTIVE LLC; EDC; RHODE ISLAND; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Regulatory Affairs (1RE51); Economic Development (1EC65))

INDUSTRY: (Retail Banking Services (1RE38); Banking (1BA20); Financial Services Regulatory (1FI03); Loans (1LO12); Financial Services (1FI37); Commercial Banking Services (1CO19))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

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OTHER INDEXING: (EDC; JOB CREATION GUARANTY; JOB CREATION GUARANTY PROGRAM; RHODE ISLAND; SBA; US SMALL BUSINESS ADMINISTRATION) (Chafee; Curt Schilling; Details; Keith W. Stokes; Schilling; Sherri Carrera; Stokes)

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5/25/11 PROVJ (No Page)
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